

**JEFFERSON COMMUNITY  
HEALTH CARE CENTER, INC.**

**FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2009**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3/2/11

## TABLE OF CONTENTS

	Page
<b>INDEPENDENT AUDITOR'S REPORT.....</b>	<b>1</b>
 <b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position .....	3
Statement of Activities .....	4
Statement of Cash Flows .....	5
Statement of Functional Expenses .....	6
Notes to the Financial Statements .....	7
 <b>OMB CIRCULAR A-133 COMPLIANCE AND GOVERNANCE AUDITING STANDARDS REPORTS</b>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	11
Independent Auditor's Report on Compliance with Requirement Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and on The Schedule of Expenditures of Federal Awards.....	14
Schedule of Expenditures of Federal Awards .....	17
Notes to Schedule of Expenditures of Federal Awards .....	18
Schedule of Findings and Questioned Costs .....	19
Status of Prior Year Findings .....	37

# REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS  
CONSULTANTS

A PROFESSIONAL CORPORATION

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Jefferson Community Health Care Center, Inc.  
Marrero, LA

We were engaged to audit the accompanying Statement of Financial Position of Jefferson Community Health Care Center, Inc. (a non-profit organization) ("JCHCC") as of December 31, 2009, and the related Statement of Activities, Cash Flows, and Functional Expenses for the year then ended. These financial statements are the responsibility of JCHCC's management

The accounting and reporting processes for patient revenue, grant revenue, payroll, cash disbursements, fixed assets, accounts/grants receivables and accounts payable were ineffective during the year ended December 31, 2009. Additionally, management of JCHCC were unable to provide supporting documentation for a portion of the previously mentioned financial statement accounts. As a result, the accuracy and appropriateness of the transactions and balances contained within these accounts was indeterminable.

Due to the significance of the matters described above, and since the scope of work was not sufficient, we are unable to express and we do not express, an opinion on the 2010 financial statements of the JCHCC.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2010 on our consideration of JCHCC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Expenditures of Federal Awards for the year ending December 31, 2009 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of JCHCC. As

explained in the second paragraph of this report, the scope of our work was not sufficient to enable us to express an opinion on the financial statements. Similarly, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the accompanying Schedule of Federal Awards.

*Rebowe & Company*

October 27, 2010

## **FINANCIAL STATEMENTS**

**JEFFERSON COMMUNITY HEALTH CARE CENTER, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2009**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 4,600,854
Patient and contracts receivable, net	1,013,829
Other current assets	<u>36,038</u>
Total Current Assets	<u>5,650,721</u>

**Non-Current Assets**

Investment in LPC&A	92,000
Property and equipment, net of accumulated depreciation	<u>354,927</u>
Total Assets	<u><u>\$ 6,097,648</u></u>

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable	\$ 445,092
Accrued expenses	156,314
Deferred grant revenue	<u>1,098,243</u>
Total Current Liabilities	<u>1,699,649</u>

Total Liabilities	<u>1,699,649</u>
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**Net Assets**

Unrestricted	<u>4,397,999</u>
Total Net Assets	<u>4,397,999</u>
Total Liabilities and Net Assets	<u><u>\$ 6,097,648</u></u>

See accompanying notes to financial statements.

**JEFFERSON COMMUNITY HEALTH CARE CENTER, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2009**

**UNRESTRICTED NET ASSETS**

<b>Public Support and Other Revenues</b>	
Contractual revenues	\$ 2,064,769
Program revenues	6,341,328
Other income	<u>32,160</u>
 Total Support, Revenues, and Reclassifications	 <u>8,438,257</u>
 <b>Expenses</b>	
Program services	6,832,713
Supporting services	<u>816,198</u>
 Total Expenses	 <u>7,648,911</u>
 Increase in Unrestricted Net Assets	 <u>789,346</u>
 Net assets at beginning of year	 <u>3,608,653</u>
 Net assets at end of year	 <u><u>\$ 4,397,999</u></u>

See accompanying notes to financial statements.

**JEFFERSON COMMUNITY HEALTH CARE CENTER, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2009**

**Cash Flows from Operating Activities**

Increase in net assets	\$ 789,346
Prior Period - Correction of an error, fixed assets	468,619
Depreciation expense	175,841
(Increase) decrease in operating assets:	
Contracts receivable	(7,101)
Other assets	8,575
Increase (decrease) in operating liabilities:	
Accounts payable	381,716
Accrued expenses	49,699
Deferred grant revenue	<u>(1,956,064)</u>
Net cash used by operating activities	<u>(89,369)</u>

**Cash Flows from Investing Activities**

Investment in LPC&A	(92,000)
Purchase of property and equipment	<u>(368,416)</u>
Net cash used by investing activities	<u>(460,416)</u>

Net decrease in cash and cash equivalents	(549,785)
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Cash and Cash Equivalents, Beginning of Year	<u>5,150,639</u>
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<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 4,600,854</u></b>
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**SUPPLEMENTARY DISCLOSURE OF NONCASH  
INVESTING AND FINANCING ACTIVITIES**

Interest expense	<u>\$ 11,970</u>
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See accompanying notes to financial statements.



**JEFFERSON COMMUNITY HEALTH CARE CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2009**

	<u>PROGRAM SERVICES</u>	<u>SUPPORT SERVICES</u>	<u>Total</u>
Salaries and fringe benefits	\$ 2,991,938	\$ 504,722	\$ 3,496,660
Bad debt expense	977,127	-	977,127
Contract labor and services	762,566	17,319	779,885
Supplies	557,803	758	558,561
Travel and professional development	315,855	29,287	345,142
Office supplies	276,979	779	277,758
Repairs and maintenance	180,675	107	180,782
Depreciation expense	-	175,841	175,841
Marketing and advertising	151,126	284	151,410
Telephone and utilities	131,208	1,996	133,204
Rent	129,320	57	129,377
Tax expenses	124,343	-	124,343
Miscellaneous expenses	32,131	84,141	116,272
Insurance	52,270	-	52,270
Security	52,051	69	52,120
Dues and subscriptions	27,486	97	27,583
Banking fees and service charges	21,968	611	22,579
Community outreach	11,982	-	11,982
Interest expense	11,970	-	11,970
Transportation	10,533	-	10,533
Postage and printing	6,927	130	7,057
Licenses	6,455	-	6,455
<b>Total Expenses</b>	<u><u>\$ 6,832,713</u></u>	<u><u>\$ 816,198</u></u>	<u><u>\$ 7,648,911</u></u>

See accompanying notes to financial statements.

**JEFFERSON COMMUNITY HEALTH CARE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2009**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

Jefferson Community Health Care Center, Inc. ("JCHCC") is a non-profit organization organized under the laws of the State of Louisiana. Its mission is to provide healthcare services, including medical, mental health, optometry, dental, and social services to underinsured and uninsured citizens of Jefferson Parish. JCHCC has four (4) locations: Avondale, Marrero, River Ridge, and Grand Isle, Louisiana. The locations in Avondale, Marrero, and River Ridge, Louisiana are federally qualified health centers.

Basis of Accounting

JCHCC's financial statements are prepared on the accrual basis of accounting, whereby revenue is recorded when earned and expenses are recorded when incurred.

Public Support and Revenue

JCHCC receives its support primarily from federal, state, and local governmental agencies and local private hospitals. Revenue is recorded on the accrual basis as they are received, and allowances are provided for receivables that are estimated to be uncollectible. Revenues are considered available for unrestricted use unless specifically restricted by the grant. Grants which relate to a subsequent year are recorded as receivables and temporarily restricted net assets in the year the commitment is received. Grants whose restrictions are met in the same reporting period are reported as unrestricted support. JCHCC uses the direct write-off method of writing off uncollectible receivables.

Deferred Revenue

Grant funds are considered to be earned when qualifying expenditures are made and all other grant requirements have been met and accordingly, when such funds are received, they are recorded as deferred revenue until earned.

Functional Expenses

The cost of program and supporting services has been reported on a functional basis. This requires the allocation of certain costs based on total program costs and estimates made by management.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

Improvements which significantly extend the useful life of an asset and purchases of furniture, fixtures and equipment in excess of \$5,000 are capitalized. The straight line method of

**JEFFERSON COMMUNITY HEALTH CARE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2009**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

depreciation is used for the assets owned by JCHCC. Useful lives of furniture and equipment is between 5-10 years and leasehold improvements 10 years.

Income Taxes

JCHCC is a tax exempt organization under Internal Revenue Code Section 501(c)(3) and as such is not subject to income tax.

Cash and Cash Equivalents

Cash is comprised of cash on hand and in banks. JCHCC considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

Investment in LPC&A

JCHCC uses the equity method to account for its investment in the partnership. Under the equity method, JCHCC recognizes its share of the earnings and losses of the partnership as they accrue instead of when they are realized.

Basis of Presentation

JCHCC follows the provisions of Not-For-Profit Entities Topic of FASB ASC (FASB ASC 958), which establishes external financial reporting for not-for-profit organizations which includes three basis financial statements and classification of resources into three separate categories of net assets, as follows:

- Unrestricted - Net assets which are free of donor imposed restrictions; all revenues, expenses, gains and losses that are not changes in permanently or temporarily restricted net assets.
- Temporarily Restricted - Net assets whose use by JCHCC is limited by donor-imposed stipulations that either expire by the passage of time or that can be fulfilled or removed by actions of JCHCC pursuant to such stipulations.
- Permanently Restricted - Net assets whose use by JCHCC is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled and removed by actions of JCHCC.

Subsequent Events

JCHCC has evaluated subsequent events through October 27, 2010, which is the date the financial statements were available to be issued.

**JEFFERSON COMMUNITY HEALTH CARE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2009**

**NOTE 2 - CASH AND CASH EQUIVALENTS**

Under State law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or pledged securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2009, cash and cash equivalents consisted of deposits with financial institutions with carrying balances of \$4,221,773. These deposits are secured from risk by \$250,000 from the Federal Deposit Insurance Corporation (FDIC). At December 31, 2009, JCHCC had cash deposits in excess of federally insured limits of approximately \$3.7 million.

**NOTE 3 - CONCENTRATION OF CREDIT RISKS**

JCHCC receives approximately 90% of its revenue from contracts with governmental agencies and a local private hospital. If significant changes are made at the federal, state, and/or local level regarding the use of community health care centers to provide services to indigent and underinsured patients, the amount of contract revenue that JCHCC receives could be significantly reduced. This could have an adverse impact on JCHCC's operations. Financial and Compliance Audits by the State of Louisiana Legislative Auditor and grant auditors could also have an adverse impact on JCHCC's operations.

**NOTE 4 - PATIENT / CONTRACTS RECEIVABLE**

At December 31, 2009, accounts receivable included patient and contract payments receivable. Patient receivables are maintained for six (6) months, unless information concerning the inability to collect the receivable becomes available, before they are considered uncollectible by JCHCC. JCHCC uses grant funds to make up the short fall in receivables for indigent patient care. Contract payments are considered fully collectible.

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment is summarized as follows:

Lcasehold improvements	\$ 292,735
Furniture, fixtures, and equipment	443,608
Less accumulated depreciation	<u>(381,416)</u>
Net carrying amount	<u>\$ 354,927</u>

Depreciation expense was \$175,841 for the year ended December 31, 2009.

**JEFFERSON COMMUNITY HEALTH CARE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2009**

**NOTE 6 – ADVERTISING EXPENSES**

JCHCC uses advertising to promote the operations of its clinics and the costs associated with advertising are expensed when incurred. Advertising and marketing expenses for the year ended December 31, 2009 were \$151,410.

**NOTE 7 – BOARD OF DIRECTORS COMPENSATION**

The Board of Directors is a voluntary board; therefore, no compensation was paid to any Board member during the year ended December 31, 2009.

**NOTE 8 – RELATED PARTY TRANSACTIONS**

JCHCC provided certain employees with advances or loans during the year ended December 31, 2009. JCHCC utilized the direct write-off method for the amount of employee advances or loans considered uncollectible. The balance of employee advances or loans at December 31, 2009 was \$17,663.

**NOTE 9 – IN-KIND CONTRIBUTIONS**

JCHCC has four (4) locations in which it provides services. The leases for the premises located in Avondale and River Ridge, Louisiana are Cooperative Endeavor Agreements between JCHCC and West Jefferson Medical Center (WJMC). WJMC allowed JCHCC to occupy the premises for the purpose of operating its independent outpatient medical clinics. The value of occupying this space is estimated at \$72,000 for the year ended December 31, 2009. The in-kind donation is recorded as revenue and has a corresponding rent expense. JCHCC entered into a rent-free lease agreement with the Parish of Jefferson for its third location in Marrero, Louisiana, but is unable to determine a value of the in-kind donation as of the date of this report.

## **SUPPLEMENTAL INFORMATION**

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## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Jefferson Community Health Care Center, Inc.  
Marrero, Louisiana

We were engaged to audit the accompanying Statement of Financial Position of Jefferson Community Health Care Center, Inc. (a non-profit organization) ("JCHCC") as of December 31, 2009, and the related Statement of Activities, Cash Flows, and Functional Expenses for the year then ended. These financial statements are the responsibility of JCHCC's management

The accounting and reporting processes for patient revenue, grant revenue, payroll, cash disbursements, fixed assets, accounts/grants receivables and accounts payable were ineffective during the year ended December 31, 2009. Additionally, management of JCHCC were unable to provide supporting documentation for a portion of the previously mentioned financial statement accounts. As a result, the accuracy and appropriateness of the transactions and balances contained within these accounts was indeterminable.

Due to the significance of the matters described above, and since the scope of work was not sufficient, we are unable to express and we do not express, an opinion on the 2010 financial statements of the JCHCC.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered JCHCC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of JCHCC's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as

discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. Significant deficiencies are described in the accompanying Schedule of Findings and Questioned Costs as items 09-1 through 09-17.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. The significant deficiencies mentioned above and in the Schedule of Findings and Questioned Costs are all considered to be material weaknesses.

These financial statements are the responsibility of JCHCC's management. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Additionally, as discussed above, the scope of our work was not sufficient to express an opinion on the Statement of Financial Position of Jefferson Community Health Care Center, Inc. as of December 31, 2009, and the related Statement of Activities, Cash Flows, and Functional Expenses for the year then ended, and accordingly, other internal control matters may have been identified and reported had we been able to perform all procedures necessary to express an opinion on those financial statements.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether JCHCC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance from which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 09-1 through 09-17.

As discussed above, the scope of our work was not sufficient to express an opinion on the Statement of Financial Position of Jefferson Community Health Care Center, Inc. as of December 31, 2009, and the related Statement of Activities, Cash Flows, and Functional Expenses for the year then ended, and accordingly, internal control matters over performance



measures may have been identified and reported had we been able to perform all procedures necessary to express an opinion on those financial statements.

This report is intended for the information and use of JCHCC's management, Board of Directors, others within the organization, the Legislative Auditor of the State of Louisiana, federal awarding agencies and federal flow through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Rebowe & Company*

October 27, 2010

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENT APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Board of Directors  
Jefferson Community Health Care Centers, Inc.  
Marrero, Louisiana

We were engaged to audit the accompanying Statement of Financial Position of Jefferson Community Health Care Center, Inc. (a non-profit organization) ("JCHCC") as of December 31, 2009, and the related Statement of Activities, Cash Flows, and Functional Expenses for the year then ended. These financial statements are the responsibility of JCHCC's management

The accounting and reporting processes for patient revenue, grant revenue, payroll, cash disbursements, fixed assets, accounts/grants receivables and accounts payable were ineffective during the year ended December 31, 2009. Additionally, management of JCHCC were unable to provide supporting documentation for a portion of the previously mentioned financial statement accounts. As a result, the accuracy and appropriateness of the transactions and balances contained within these accounts was indeterminable.

Due to the significance of the matters described above, and since the scope of work was not sufficient, we are unable to express and we do not express, an opinion on the 2010 financial statements of the JCHCC.

### **Compliance**

We have audited the compliance of Jefferson Community Health Care Center, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. JCHCC's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of JCHCC's management. Our responsibility is to express an opinion on JCHCC's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and

OMB Circular *A-133, Audits of States, Local Governments, and Non Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about JCHCC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of JCHCC's compliance with those requirements.

As described in the accompanying Schedule of Findings and Questioned Costs, JCHCC did not comply with requirements regarding Procurement, Suspension and Debarment, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Monitoring, Cash Management, Eligibility and Reporting that are applicable to its Social Services Block Grant and the Primary Care Access and Stabilization Grant (PCASG). Compliance with such requirements is necessary, in our opinion, for JCHCC to comply with requirements related to its major federal programs.

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, JCHCC did not comply in all material respects, with the requirements referred to above that are applicable to its major federal programs.

#### **Internal Control Over Compliance**

The management of JCHCC is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered JCHCC's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the propose of expressing our opinion on compliance, but not for the propose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of JCHCC's internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

This report is intended solely for the information and use of JCHCC's management, Board of Directors, others within the organization, the Legislative Auditor of the State of Louisiana, and

federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Rebowe & Company*

October 27, 2010

**JEFFERSON COMMUNITY HEALTH CARE CENTER, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2009**

<u>Grantor</u>	<u>CFDA Number</u>	<u>Revenues</u>
U.S. Department of Health and Human Services: Health Resources and Services Administration	93.224	\$1,235,545
*Social Services Block Grant	93.667	541,667
*PCASG-Primary Care and Access Stabilization Grant	93.779	<u>3,300,074</u>
Total Governmental Financial Assistance		<u>\$5,077,286</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**JEFFERSON COMMUNITY HEALTH CARE CENTER, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2009**

**NOTE 1 - GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the revenues from federal awards of JCHCC as defined in Note 1 to JCHCC's basic financial statements. All federal awards were received directly from Federal Agencies.

**NOTE 2 - BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of JCHCC and is presented on the accrual basis of accounting.

**NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

Federal awards revenues are reported in JCHCC's basic financial statements as program revenues.

**NOTE 4 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards are derived from revenues as expenditures related to federal financial reports were not available.

**NOTE 5 - FEDERAL AWARDS**

Federal awards do not include JCHCC's operating income from rents or income from investments (or other non-federal sources).

**JEFFERSON COMMUNITY HEALTH CARE CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2009**

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The independent auditor's report disclaims an opinion on the financial statements of Jefferson Community Health Care Center, Inc. ("JCHCC")
2. Control Deficiencies were disclosed by the audit of the financial statements: Yes  
Material Weaknesses: Yes
3. Noncompliance which is material to the financial statements: Yes
4. Control Deficiencies over major programs: Yes  
Material Weaknesses: Yes
5. The type of report issued on compliance for major programs: Disclaimer of Opinion
6. Major programs: Department of Health and Human Services. Social Services Block Grant, CFDA Number 93.667 and PCASG-Primary Care Access and Stabilization Grant, CFDA Number 93.779.
7. The threshold for distinguishing between Type A and Type B programs was \$300,000.
8. JCHCC did not qualify as a low-risk auditee.

**JEFFERSON COMMUNITY HEALTH CARE CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**For the Year Ended December 31, 2009**

**B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

**Finding 09.1 Potential Fraudulent Transactions**

**Criteria**

Best practices for sound fiscal management requires an implemented internal control system that would ensure that expenditures are approved and in accordance with budgeted items that benefit the organization. An organization should maintain records in such a manner that an "audit trail" is available on all transactions.

**Condition:**

Certain transactions related to travel and employee advances appear fraudulent in nature. Due to a lack of documentation, we are unable to conclude or quantify the transactions.

**Effect:**

The Louisiana Legislative Auditor performed a compliance audit on certain transactions and provided its report dated January 27, 2010. Additionally, the Louisiana Legislative Auditor is conducting a subsequent compliance audit, of which the findings have not been disclosed..

**Cause:**

An appropriate level of supervision and independent review related to accounting was not provided by JCHCC management.

**Recommendation:**

JCHCC should employ an adequate and professional accounting staff who will be required to submit complete and reconciled financial statements on a monthly basis. Management and the Board of Directors should review the financial statements in order to provide a level of supervision which should help reduce the risks of fraud.

**Response:**

The Accounting Policy and Procedures Manual adopted at the July 28, 2010 Board of Director's meeting, approved by the Board of Directors address' adequate documentation for purchase in accordance with OMB Circular A-110 and A- 122 and A-133.

All purchases must be approved by the immediate supervisor. Approval authority is based on a tiered approach, with a maximum approval of \$5,000 by the CEO, without Board approval. All purchase requests must accompany sufficient documentation, which consists of an approved requisition, check request or expense reimbursement form, prior to purchase.

A purchase order is needed before ordering supplies or equipment. The invoice is reviewed for accuracy and matched to the purchase order and shipping document.

Prior to payment, all invoices are reviewed by the CFO verifying cost as reasonable, customary, and allowable, adequately documented, and includes appropriate signature approval.



**JEFFERSON COMMUNITY HEALTH CARE CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**For the Year Ended December 31, 2009**

Vendor files are maintained within the Finance Department by vendor name, in a locked file cabinet. Vendor files are not permitted outside of the Finance Department. A check register is printed and maintained within the Finance Department by numeric order. All voided checks are logged and filed. Check stock is maintained in a locked file cabinet.

The Accounting Policy and Procedures Manual adopted at the July 22, 2010 Board of Director's meeting states explicitly:

**"Under no circumstances will JCHCC cover/reimburse cost of travel for personal trips."**

There must be a JCHCC business connection and only for business expenses that are ordinary and necessary in the performance of duties as an employee. All business expenses must be substantiated with the date, amount, place, and business purpose of the expense, within a reasonable time period. All business travel MUST have prior approval by the CEO. The Board of Directors must be informed of any JCHCC related travel of the CEO.

OMB Circular A-122 provides specific guidelines of items that are considered allowable and unallowable costs, and can therefore be charged to the federal government under a federal award. Travel costs by employees who are in travel status on official business of the non-profit organization are allowable, any travel not related to official JCHCC business is not allowable.

The Board has also abolished employee loans and/or advances.

**Finding 09.2 Incomplete, Untimely, and Unreconciled Financial Statements**

**Criteria**

Financial statements should be reconciled and reviewed by management monthly.

**Condition:**

Financial statements of JCHCC appear to be incomplete and inaccurate. Transactions were not entered into the accounting system which could cause financial statements to be materially misstated.

**Effect:**

Without complete, reconciled financial statements, prepared in a timely manner, the financial condition of an organization is indeterminable. Additionally, there is a substantial risk that omissions, errors, and/or irregularities can exist and not be detected.

**Cause:**

An appropriate level of supervision and independent review related to accounting was not provided by JCHCC management.

**JEFFERSON COMMUNITY HEALTH CARE CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**For the Year Ended December 31, 2009**

Recommendation:

JCHCC should employ an adequate and professional accounting staff who will be required to submit complete and reconciled financial statements on a monthly basis to management and the Board of Directors.

Response:

On June 2, 2010, JCHCC's interim CEO and the Board of Directors hired a CFO with an extensive background in Non Profit Accounting, federal grant funding requirements, and OMB Circulars A-122.

Since this time the CFO, has hired a Senior Accountant with extensive fund accounting and non-profit accounting experience, a junior accountant and an accounts payable clerk. Staff is being train on the recently implemented Fund Accounting Software system and has been instructed to read and adhere to the Accounting Policy and Procedures approved by the Board of Directors on July 28, 2010.

JCHCC's Finance Committee meets the third Thursday of each month, in order to facilitate management control; the CFO is required to submit the appropriate Statement of Revenue and Expenditures, Balance Sheet, Check Register, operating results and other pertinent information, in accordance with GAAP and FASB 117. These reports are submitted to the Board of Directors for review, the week following and a copy is maintained for the records.

**Finding 09-3 Commingling of Funds**

Condition:

Separate classes of expenses were not utilized to record JCHCC transactions, thus the source(s) of expenditures cannot be determined.

Criteria:

JCHCC receives funding from various federal, state, and local governmental agencies and local private hospitals. The rules and regulations of those agencies forbid commingling of funds.

Effect:

The failure to properly utilize the expense classes led to an inability to properly record transactions and an inability to report to the various funding sources where particular funds were spent.

Cause:

Ineffective internal controls in the accounting department and a lack of communication regarding the recording of expenditures.

Recommendation:

Appropriate expense classes must be utilized for all transactions.

**JEFFERSON COMMUNITY HEALTH CARE CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**For the Year Ended December 31, 2009**

Response:

To prevent comingling of Funds in the future, JCHCC purchased and implemented MIP Fund Accounting Software, software specifically designed for Fund Accounting. In this system, each location is self-balancing, revenues and expenditures are reported by revenue source, location, and program. The Finance Staff is being trained to identify and record cost by revenue source.

The CFO is currently reviewing and revising the expenditure classes as defined by the Accounting Policy and Procedures approved by the Board of Directors on July 28, 2010.

**Finding 09-4 Fixed Assets Schedule Not Maintained**

Criteria:

The Louisiana State Revised Statute 24:515(b) requires that all governments "shall maintain records of all land, buildings, improvements other than buildings, equipment, and any other general fixed assets which were purchased or otherwise acquired, and for which such entity is accountable."

Condition:

No fixed asset detail or inventory existed in order to account for JCHCC's fixed assets.

Effect:

The lack of adequate internal controls over fixed assets and accounting in general, compromises the safeguarding of assets.

Cause:

Ineffective internal controls in the accounting department.

Recommendation:

Adequate policies and procedures relating to fixed assets should be adopted and implemented.

Response:

JCHCC has recently performed an inventory of fixed assets and created policy and procedures for purchasing, maintaining, and accounting for all fixed assets. JCHCC also recently purchased fixed asset software. Labeling, documenting and maintaining adequate Fixed Assets records are the responsibility of the Senior Accountant. Fixed Assets reports are reviewed and approved by the CFO.

All fixed assets are clearly labeled "Property of JCHCC" and assigned an asset id, an itemized listing of all assets are maintained in the Fixed Asset module, including purchase price, book value, depreciation expense, location and responsible person.

At the July 28, 2010 Board Meeting a New Accounting Policy and Procedures Manual was adopted by the Board and the following procedures are currently being implemented; Fixed

**JEFFERSON COMMUNITY HEALTH CARE CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**For the Year Ended December 31, 2009**

Assets are defined as land, buildings, equipment, and machinery over \$500, vehicles, and leasehold improvements. All fixed asset purchases require prior written approval by the CEO on a requisition to purchase form and a purchase order from the Finance Department.

Once the Fixed Asset is received, a numbered "Property of JCHCC" tag is placed on the asset. The asset is recorded into the Fixed Asset module with the manufactures name and serial number, JCHCC tag number, responsible party, location, purchase price, invoice/check number, depreciation value, estimated life, acquisition date.

**Finding 09-5 Operations and/or Accounting Manuals Not Updated**

**Criteria:**

Adequate internal controls relating to personnel actions and general operations require a current reference point for employees to ensure their adherence to best practices and the organizations' policies.

**Condition:**

JCHCC did not have updated, written operations and/or accounting manuals on file during the year ended December 31, 2009. Additionally, a formal budget was not adopted for the year ended December 31, 2009.

**Effect:**

There was an overall lack of knowledge, or adherence to certain policies and procedures that would have allowed for "best practices" to occur at JCHCC. As such, certain assets are missing and accounting records are deficient. Without a formally adopted budget, management and the Board of Directors were unable to properly monitor expenses.

**Cause:**

It was not readily determinable why manuals and / or written policies and procedures along with a budget were not being updated at least annually.

**Recommendation:**

Operating and Accounting Manuals must be maintained and updated annually. They should be provided to staff as a reference point for day to day operations of the organization. A budget should be prepared and formally adopted by both management and the Board of Directors. Budget to actual comparisons should be prepared periodically (monthly, quarterly, etc.) for presentation to management and the Board of Directors.

**Response:**

A New Accounting Policy and Procedures Manual was adopted by the board, at the July 28, 2010 Board Meeting. The CFO is responsible for maintaining and updating procedures, as needed.

**JEFFERSON COMMUNITY HEALTH CARE CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**For the Year Ended December 31, 2009**

The recently hired Human Resource Manager is currently reviewing and revising the Personnel policies and procedures manual; once completed it will be presented to The Board of Directors for review and approval and distributed to all JCHCC personnel.

**Finding 09-6 ATM Purchase Details Unavailable**

**Criteria:**

The proper adoption and implementation of internal controls will ensure accountability with regards to the disbursement of funds and subsequent reporting of those transactions in an organization. A debit card can secure purchases without any prior request or approval of clinic officials.

**Condition:**

There were general ledger postings entitled ATM, without adequate supporting documentation on the items purchased and/or the persons responsible for the purchases. Supporting documentation for a selection of ATM purchases was not available.

**Effect:**

The lack of adequate controls related to cash disbursements may have resulted in unauthorized purchases.

**Cause:**

The use of a debit card does not allow for proper approval of expenditures and makes it difficult to maintain appropriate documentation on file related to expenditures.

**Recommendation:**

JCHCC should develop policies and procedures to ensure proper documentation of travel expenses. These policies and procedures should require employees to submit completed travel expense reports with detailed/itemized receipts, including documentation of the business purpose and names of attendees.

**Response:**

JCHCC has destroyed all but one company card; likewise, implemented a credit card usage policy. The Finance Department is responsible for the issuance, accounting, monitoring, retrieval, and general oversight of compliance with this debit / ATM Card Policy. A log is maintained, within the Finance Department by date and individual. All purchases are approved by the CEO, CFO or CMP, prior to the purchase. Documentation detailing the goods and/ or services purchased with debit / ATM cards is required for all transactions. Sufficient documentation consists of, but not limited to, original sales receipts and/or credit slips and debit card transaction email from Chase verifying purchase amount and vendor. At no time shall the Finance Department authorize use of debit / credit card invoices without prior written approval from the CEO, CMO, or COF on a request to purchase form. Banking alerts are set to notify the CFO for all debit / credit card purchases.

**JEFFERSON COMMUNITY HEALTH CARE CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**For the Year Ended December 31, 2009**

All debit / credit card purchases are supported with an approved "request to purchase" form, a receipt, indicating date of purchase and item or service purchased and the bank email notification verifying date, vendor, and amount.

At the September 23, 2010 Finance Committee meeting the Board gave approval for JCHCC to apply for and obtain a credit card for employee travel / training, as long as the conference and the purchase is of necessity. Upon receipt of the credit card, the ATM card will be discontinued and destroyed. All credit card purchases will follow procedures as listed above.

**Finding 09-7 Inadequately Documented Employee Earnings**

**Criteria:**

Internal controls related to payroll requires an employee file to include the duties, position, and approved salary amount for each employee.

**Condition:**

Payments were made to several employees outside of the normal payroll process without appropriate documentation.

**Effect:**

The lack of adequate internal control implementation significantly increases the risk that material errors and irregularities could exist and not be detected.

**Cause:**

There was a lack of internal controls relating to payroll and cash disbursements at JCHCC.

**Recommendation:**

Implementation of internal controls and an increase in management supervision.

**Response:**

JCHCC recently hired experienced, certified Human Resource Manager and experienced payroll personnel. Employee Earning records are now maintained in the Finance Department and in a separate employee personnel file. All Employee personnel records are maintained in the Human Resource Department.

The CEO, CMO and / or CFO shall approve all employee merit increases or changes in pay. Employee pay rate changes shall be documented with an "Employee Change Order" form, maintained in the Human Resource Department with a copy provided to the Finance Department. All computerized employee records shall be maintained by personnel in the Human Resource Department, the Finance Department shall verify pay changes and maintain copies of the "Employee Change Order" forms.

**JEFFERSON COMMUNITY HEALTH CARE CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**For the Year Ended December 31, 2009**

JCHCC will develop and present to the Human Resource Committee and full Board of Directors, a Personnel Management Policy and Procedures Manual, including a salary matrix to be used for all new hires and pay changes. The Personnel Management Policy and Procedures Manual shall provide a uniform system of human resource administration throughout JCHCC. The Personnel Management Policy and Procedures Manual are intended to serve as guidelines to assist in the uniform and consistent administration of personnel policy.

- Assisting managers in the development of sound management practices and procedures, and to making effective consistent use of human resources throughout JCHCC.
- Promoting effective communication among managers, supervisors and employees.
- Ensuring, protecting, and clarifying the rights and responsibilities of both the JCHCC its employees.

The Personnel Management Policy and Procedures Manual shall be developed in accordance with:

- Privacy Act of 1974, Public Law (PL) 93-579 (5 United States Code (U.S.C.) 552a)
- Title 5, Code of Federal Regulations (CFR), Part 293, Personnel Records
- Office of Personnel Management (OPM), Guide to Personnel Recordkeeping
- Title 5, CFR, Part 297, Privacy Procedures for Personnel Records
- Title 5, CFR, Part 293, Subpart D, Employee Performance File System Records
- Departmental Information Resource Management Manual (DIRMM), Chapter 8 -- Privacy Act
- DIRMM, Chapter 9 -- Departmental Records Management Program
- The Health Insurance Portability and Accountability Act (HIPAA) of 1996

In a continued effort to become more efficient and effect, JCHCC purchased a People Trak Human Resource Management Software, with plans to implement.

**Finding 09-8 No Supporting Documentation on Various Expenditures**

**Criteria:**

An organization should maintain records in such a manner that an "audit trail" is available on all transactions. Purchases should require requisitions, purchase orders, and approvals depending on the amount of the purchase. CFO and CEO approval is required for disbursements in excess of \$500 and Board approval is required for purchases exceeding \$5,000.

**Condition:**

Canceled checks and/or copies of negotiated checks with bank statements, complete contract files, complete invoices files, bid files, etc. were not available. JCHCC accounting policies require requisitions and purchase orders for all purchases. Disbursements were made without the proper authority.

**JEFFERSON COMMUNITY HEALTH CARE CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**For the Year Ended December 31, 2009**

**Effect:**

Cash disbursements have been made and there may be errors, and/or irregularities that exist but may not be detected due to the lack of documentation.

**Cause:**

Insufficient maintenance of supporting documentation is the result of a lack of internal controls relating to cash disbursements.

**Recommendation:**

Supporting documentation should be maintained and available for review for all cash disbursements. JCHCC should follow its policies for purchases and approval requirements.

**Response:**

The Accounting Policy and Procedures Manual adopted at the July 28, 2010 Board of Director's meeting, approved by the Board of Directors address' adequate documentation for purchases in accordance with OMB Circular A-110 and A- 122 and A-133.

All purchases must be approved by the immediate supervisor. Approval authority is based on a tiered approach, with a maximum approval of \$5,000 by the CEO, without Board approval.

All purchase requests must accompany sufficient documentation, which consists of an approved requisition, check request or expense reimbursement form, prior to purchase.

A purchase order is needed before ordering supplies or equipment. The invoice is reviewed for accuracy and matched to the purchase order and shipping document.

Prior to payment, all invoices are reviewed by the CFO verifying cost as reasonable, customary, and allowable, adequately documented, and includes appropriate signature approval.

Vendor files are maintained within the Finance Department by vendor name, in a locked file cabinet. Vendor files are not permitted outside of the Finance Department. A check register is printed and maintained within the Finance Department by numeric order. All voided checks are logged and filed. Check stock is maintained in a locked file cabinet.

**Finding 09-9 Delinquent Audit Report Submission**

**Criteria:**

According to Louisiana Revised Statute 24:513A. (5)(a), ".....audits shall be completed within six (6) months of the close of the entity's fiscal year."



**JEFFERSON COMMUNITY HEALTH CARE CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**For the Year Ended December 31, 2009**

Condition:

The audit of the financial statements of JCHCC was not completed within six (6) months of the close of its fiscal year.

Effect:

JCHCC's inability to provide audited financial statements within the required time frame may result in further review by the Legislative Auditor of the State of Louisiana and/or other funding sources.

Cause:

The audit was not engaged timely.

Recommendation:

JCHCC should engage an independent auditor in a timely manner and make available all required documentation for audit.

Response:

The CFO will be held responsible for timely submission of the Audit Report to the Legislative Audit Advisory Council, HIRSA, LPCA, and the Federal Audit Clearinghouse within 30 days of completion in accordance with the Single Audit Act of 1984 (with amendment in 1996).

The following sequence of events has occurred since the Board of Directors contracted with The Fisher Consulting Group in mid-April 2010 to manage the day to day operations of JCHCC.

- A RFP was issued for an independent auditor in May 2010.
- The new CFO was hired and started on June 3, 2010.
- A CPA firm was selected and submitted for approval to the Legislative Auditor on August 5, 2010.
- The Legislative Auditor approved the CPA Firm of Rebowe & Company, CPAs as the independent auditors on September 6, 2010.
- An extension request was filed with the LA Legislative Auditor on or about July 22, 2010.
- The LA Legislative Audit Committee approved the extension request on September 16, 2010. The Independent Audit began on September 20, 2010.

The Board of Directors has approved Rebowe and Company, CPAs for the 2010 audit. The CFO will initiate conversations with Rebowe to complete and file the 2010 audit before May 30, 2011.

**Finding 09-10 Bid Files Not Maintained**

Criteria:

Federal rules and regulations require that bids be secured for certain purchases and/or procurement of services.

**JEFFERSON COMMUNITY HEALTH CARE CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**For the Year Ended December 31, 2009**

Condition:

Certain purchases were made and contracts were entered into without requests for bids and/or responses to the requests to support the selection process.

Effect:

Certain contracts and/or purchases were made that may not have benefited the organization.

Cause:

A lack of policies and procedures surrounding the cash disbursements process at JCHCC.

Recommendation:

JCHCC should develop policies and procedures that follow Louisiana State Bid Law.

Response:

The Accounting Policy and Procedures Manual adopted at the July 28, 2010 Board of Director's meeting, adopted at the July 28, 2010 Board of Director's meeting, mandates a minimum of three competitive bids for all goods and services over \$25,000. At the discretion of the CFO or CEO, competitive bids may be obtained for other goods and services, as deem appropriate. Competitive bids should be in writing and contain all payment order specifications.

For all goods and services in excess of \$25,000 require a competitive bid and must be approved by the Board of Directors. Once bids are received, reviewed, and rated, the designated personnel requesting goods and/or service will provide bid review ratings with a recommendation to the CEO or the CEO's designee, for approval.

The CEO or CFO will present JCHCC's decision to the Finance Committee for recommendation to the Board for approval. A purchase order will be issued once the approval process is completed.

Original files will remain in the custody of the department requiring goods or service; copies of all bid records are maintained in the Finance Department. Sufficient documentation includes, copy of RFP (for goods and services over \$25,000), all competitive bids received, documentation supporting the decision-making process, purchase order and any change orders, when appropriate

For goods and services less than \$25,000, approval is required from the CEO, CMO, or CFO, and three competitive bids are required. Once bids are received, reviewed, and rated, the designated personnel requesting goods and/or service will provide bid review ratings with a recommendation to the CEO or the CEO's designee, for approval. A purchase order will be issued once the approval process is completed.

Original files will remain in the custody of the department requiring goods or service; copies of all bid records are maintained in the Finance Department. Sufficient documentation includes,

**JEFFERSON COMMUNITY HEALTH CARE CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**For the Year Ended December 31, 2009**

copy of RFP (for goods and services over \$25,000), all competitive bids received, documentation supporting the decision-making process, purchase order and any change orders, when appropriate

**Finding 09-11 Unpaid Payroll Taxes**

**Criteria:**

Payroll taxes must be remitted timely and in accordance with federal and state rules and regulations.

**Condition:**

JCHCC did not include certain employee compensation and allowance payments on employee W-2s.

**Effect:**

There could be future sanctions from both the federal and state government regarding the nonpayment of payroll taxes.

**Cause:**

JCHCC has incurred tax penalties and may have other related expenses that have gone unpaid.

**Recommendation:**

It is recommended that JCHCC ensure that all amounts paid to employees as compensation are properly included on IRS Form W-2.

**Response:**

The CFO is ultimately responsible for paying payroll taxes and filing all payroll related reports. Payroll guidelines and procedures have been set to ensure the timely payment of biweekly federal and state payroll taxes, quarterly 941 reports and the filing of W-2/W-3 forms. The CFO has recently hired an individual experience in processing payroll and is currently working with an independent CPA to resolve all past tax liability penalties.

JCHCC is a semi-weekly depositor, with a Friday pay date, employment taxes are due as indicated below:

1. Federal tax – Wednesday following the Friday pay date
2. State -15th and 30th of each month
3. SUTA -due no later than the last day of the month immediately following the end of each quarter.

JCHCC is investing in their employees by sending them to training, once a weakness has been identified.

**JEFFERSON COMMUNITY HEALTH CARE CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**For the Year Ended December 31, 2009**

**Finding 09-12 Funds used for Personal Purchases**

**Criteria:**

Best practices for sound fiscal management requires an implemented internal control system that would ensure that expenditures are approved and in accordance with budgeted items that benefit the organization.

**Condition:**

JCHCC funds were used for personal purchases, loans to employees, and other gifts and donations.

**Effect:**

The assets of JCHCC were not safeguarded against loss and misuse.

**Cause:**

A lack of internal controls over cash disbursements.

**Recommendation:**

It is recommended that internal controls are implemented which will ensure the safeguarding of the assets of JCHCC. Expenditures of public funds to be in accordance with Article VII, Section 14 of the Louisiana Constitution, the Attorney General in Opinion 07-0134 outlines a three-prong test. It requires: (1) a public purpose for the expenditure or transfer; (2) the expenditure or transfer taken as a whole, does not appear to be gratuitous; (3) evidence demonstrating that the public entity has a reasonable expectation of receiving a benefit or value at least equivalent to the amount expended or transferred.

**Response:**

The Accounting Policy and Procedures Manual adopted at the July 28, 2010 Board of Director's meeting states explicitly:

**"Under no circumstances will JCHCC cover/reimburse cost of travel for personal trips."**

The Board has also abolished employee loans and/or advances.

**Finding 09-13 Segregation of Accounting Duties**

**Criteria:**

Good business practices and proper internal controls require duties to be segregated so that no individual be responsible for all duties related to a financial area. Ideally, different employees should be responsible for transactions (1) authorization; (2) custody; (3) recordkeeping; and (4) reconciliation.

**JEFFERSON COMMUNITY HEALTH CARE CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**For the Year Ended December 31, 2009**

Condition:

Accounting duties related to journal entries, payroll, vendor selection, bank statement reconciliation, external auditor contact, check writing and accounts receivable and payable were not adequately segregated and there was no supervisory review of work performed.

Effect:

JCHCC accounting duties were not adequately segregated for a proper system of checks and balances.

Cause:

A lack of segregation of duties over internal controls.

Recommendation:

It is recommended that JCHCC evaluate overall business operations and restructure/reassign duties to provide an adequate system of checks and balances. JCHCC should develop detailed policies and procedures to ensure that all accounting functions are segregated, subject to supervisory review and approval and properly documented.

Response:

It is the responsibility of the CFO to ensure that all duties are segregated in compliance with Sarbanes Oxley of Non Profits organizations. The CFO has hired staff and set duties and responsibilities, such that all accounts payable disbursements are being recorded and maintained by the Accounts Payable Clerk, all cash receipts are recorded maintained by the Junior Accountant, payroll related disbursements are recorded and maintained by the Senior Accountant. The Senior Accountant reconciles all bank statements on a monthly basis, with the exception of the payroll bank account. The payroll bank account is reconciled by the Billing Manager.

All disbursement, receipts and payroll reports are reviewed and approved by the CFO. All bank statements and bank reconciliations are reviewed and approved by the CFO.

**Finding 09-14 Bank Reconciliations**

Criteria:

Best practices surrounding bank reconciliations require bank statements be addressed to, opened by, and reviewed by an executive-level person who is not involved in the accounting or bank reconciliation process, then those bank reconciliations be conducted on a timely manner by a person who is not a check signer.

Condition:

Bank reconciliations duties were not properly segregated and not performed in a timely manner. Supporting documentation was not retained, thus bank reconciliations were not able to be completed.

**JEFFERSON COMMUNITY HEALTH CARE CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**For the Year Ended December 31, 2009**

Effect:

Bank transactions were not properly entered into the accounting system. These transactions may not have been included in the financial statements and therefore may have prevented JCHCC from accurately reporting its financial position. Additionally, with no bank statement review, fraudulent transactions would not have been prevented.

Cause:

A lack of internal controls and segregation of duties over internal controls.

Recommendation:

JCHCC should develop detailed policies and procedures to ensure that all accounting functions are segregated, subject to supervisory review and approval and properly documented.

Response:

The Senior Accountant reconciles all bank statements on a monthly basis, with the exception of the payroll bank account. The payroll bank account is reconciled by the Billing Manager.

All bank statements and bank reconciliations are reviewed and approved by the CFO.

**Finding 09-15 Deposit Collateral**

Criteria:

Louisiana Revised Statute 39:1225 requires that the security for deposits at all times be equal to one hundred percent of the amount of collected funds on deposit to the credit of each depositing authority except that portion of the deposits insured by any governmental agency insuring bank deposits which is organized under the laws of the United States.

Condition:

We noted that the bank deposits of JCHCC were uncollateralized by approximately \$3.7 million.

Effect:

JCHCC is in violation of state law.

Cause:

JCHCC did not proceed with plans to secure their funds with their fiscal agent.

Recommendation:

Management should negotiate a contract with its fiscal agent stipulating that deposits must be fully insured or collateralized.

**JEFFERSON COMMUNITY HEALTH CARE CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**For the Year Ended December 31, 2009**

Response:

The CFO is working the Clinical Site Managers to create policy and procedures to ensure the accuracy and timely processing of clinical deposits. All deposit receipts are received in the Finance Department by the Junior Accountant. The Junior Accountant reviews the deposit and supporting documentation for accuracy and records all cash receipts to the general ledger.

The Senior Accountant reconciles the general ledger to the bank statements monthly and the CFO reviews and approves the bank reconciliation.

The CFO is also negotiating a contract with JCHCC's fiscal agent stipulating that deposits are fully insured or collateralized.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS**

The following items listed in the financial statements section also apply to the federal awards:

09.1 through 09.15

**09.16 Maintenance of Required Federal Reports**

Criteria:

The federal grant from the Department of Human Services requires the submission of an FSR (Financial Status Report) within ninety days of the expiration of the budget period. Additionally a Medicare Cost Report must be filed each year.

Condition:

Reports for the major federal programs were not completed.

Effect:

Inability to determine the accuracy of the information reported to the grantor.

Cause:

The information was not provided during the audit.

Recommendation:

All required information both financial and reporting must be completed and maintained on file.

Response:

On June 2, 2010, JCHCC's interim CEO and the Board of Directors hired a CFO with an extensive background in Non Profit Accounting, federal grant funding requirements, and OMB Circulars A-122.

**JEFFERSON COMMUNITY HEALTH CARE CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**For the Year Ended December 31, 2009**

The CFO is responsible for maintenance and timely filing of all Federal and State Reports. Documentation, procedures, and checklist are in place to provide guidelines and due dates for timely filing of all federal reports. Copies of all Federal and State awards and reports are maintained in the Finance Department.

**09.17 Grant Documents Incomplete**

**Criteria:**

Copies of all grant documents should be maintained on file for future reference relative to revenue reporting and compliance with grant terms.

**Condition:**

Grant documents were available but incomplete.

**Effect:**

The grant requirements were not completely detailed or provided for audit.

**Cause:**

It was not readily determinable as to why the grant documents were incomplete.

**Recommendation:**

All grant files should be complete and maintained on file for reference and review.

**Response:**

On June 2, 2010, JCHCC's interim CEO and the Board of Directors hired a CFO with an extensive background in Non Profit Accounting, federal grant funding requirements, and OMB Circulars A-122.

The CFO is responsible for maintenance and timely filing of all Federal Reports. Documentation, procedures, and checklist are in place to provide guidelines and due dates for timely filing of all federal reports. Copies of all Federal and State awards and reports are maintained in the Finance Department.



**JEFFERSON COMMUNITY HEALTH CARE CENTER, INC.**  
**STATUS OF PRIOR YEAR FINDINGS**  
**For the Year Ended December 31, 2008**

- 08-01 Incomplete, Untimely, and Un-reconciled Financial Statements Criteria – Unresolved
- 08-02 Commingling of Funds - Unresolved
- 08-03 Fixed Assets Schedule Not Maintained - Unresolved
- 08-04 Operations and/or Accounting Manuals Not Updated - Unresolved
- 08-05 ATM Purchase Details Unavailable - Unresolved
- 08-06 Inadequately Documented Employee Earnings - Unresolved
- 08-07 No Supporting Documentation on Various Expenditures - Unresolved
- 08-08 Delinquent Audit Report Submission - Unresolved
- 08-09 Bid Files Not Maintained - Unresolved
- 08-10 Unpaid Payroll Taxes - Unresolved
- 08-11 Travel Costs Paid for Personal Trips - Unresolved
- 08-12 Maintenance of Required Federal Reports - Unresolved
- 08-13 Grant Documents Incomplete - Unresolved